

The image features a solid teal background. A horizontal band across the middle contains a grayscale image of several US coins, including quarters and pennies, showing their intricate designs.

MAY 2001, THRIFT SAVINGS PLAN (TSP)



WHAT IS THE TSP:

- The Thrift Savings Plan is a tax-deferred retirement savings and investment plan for Federal employees. Congress established the TSP in the Federal Employees' Retirement System Act of 1986. The purpose of the TSP is to provide retirement income. It offers Federal civilian employees the same type of savings and tax benefits that many private corporations offer their employees under so-called "401(k)" plans.
- Employees covered by the Federal Employees' Retirement System (FERS) and the Civil Service Retirement System (CSRS) can contribute to the TSP. The participation rules are different for FERS and CSRS employees.



FERS Participants

- Currently: FERS participants can contribute up to 10% of their basic pay and receive the Agency Automatic 1% Contributions and the Agency Matching Contributions up to 5%.
- The TSP is one of the three parts of your retirement package, along with your FERS Basic Annuity and Social Security.
- The money that you save and earn through your TSP account will provide an important source of retirement income.



CSRS Participants

- Currently: CSRS participants can contribute up to 5% of basic pay, and do not receive any Agency contributions.



ELIGIBILITY:

- Eligible employees can sign up to contribute during the two open seasons held each year: May 15 through July 31, and November 15 through January 31.
- **Currently:** If you are a newly hired FERS employee, you must wait before you can contribute to the TSP until the second open season after you were hired. Likewise, your Agency Automatic 1% Contribution will start in the first full pay period of the last calendar month of the open season in which you first become eligible.
- Currently rehired FERS employees who were previously eligible to participate or CSRS employees who had a break in service of 31 or more full calendar days can sign up to contribute during the first open season after you are reemployed. Employees with a break of less than 31 full calendar days can resume contributions upon rehire.



STARTING, CHANGING OR STOPPING CONTRIBUTIONS:

- The Thrift Savings Plan open season is the period during which you can begin contributing to the TSP, change the amount you are contributing, and allocate the investment of contributions that are made to your TSP accounts each pay period.
- There are two TSP open seasons repeated each year, May 15 to July 31, and November 15 through January 31. Open season elections, in most cases, become effective the first pay period in July and the first pay period in January.
- Open season elections for current employees are made through Employee Express at <http://www.employeeexpress.gov>.
- Terminations of TSP elections can be made at any time. This is also done through Employee Express. Depending on when you terminate your contributions determines when you would be eligible to contribute again. If you stop contributions during an open season period you are eligible to begin contributing again, in the next open season. If contributions are terminated outside of an open season, you must wait for the second open season to begin contributing.



ANNUAL LIMIT ON CONTRIBUTIONS:

- Each year the Internal Revenue Service imposes an annual limit on elective deferrals. The annual limit for 2001 is \$10,500. Elective deferrals refers to your employee contributions which are made on a tax-deferred basis.
- When an annual limit is reached, your employee contributions must be suspended for the remainder of the tax year. The Agency Matching Contributions are also suspended when the annual limit has been reached. The Agency Automatic 1% Contributions are not affected. As a FERS employee you are entitled to receive the 1% whether or not you make contributions.
- The annual limit generally affects highly paid FERS employees, those employees whose annual basic pay is at least 10 times the annual limit.



UNDERSTANDING AGENCY CONTRIBUTIONS

- Only FERS employees are entitled to receive Agency contributions. As a FERS employee, when you become eligible to participate in the TSP, the Agency will open an account for you. Each pay period you will receive the Agency Automatic 1% Contribution, whether or not you contribute your own money to your account. If you do not contribute to the TSP, the 1% is automatically deposited in the G fund.
- When you contribute to your TSP account, the Agency makes the Agency Matching Contributions. Matching contributions apply to the first 5% of pay that you contribute each pay period. Your contributions are matched dollar for dollar for the first 3% and 50 cents on the dollar for the next 2% of pay.
- The fact that the Agency adds to your contributions will make your account grow faster.



VESTING:

- Vesting means that you have met the service requirements that entitle you to Agency Automatic 1% Contributions and their earnings when you leave Federal service.
- FERS and CSRS participants are always vested in their own contributions and the earnings on their contributions
- FERS participants are always vested in the Agency Matching Contributions, as well as the earnings on the matching contributions.
- Most FERS employees become vested in the Agency Automatic 1% Contributions after completing 3 years of Federal civilian service. If you leave Government service before satisfying the vesting requirement for your Agency Automatic 1% Contributions, these contributions and the earnings on them will be forfeited to the TSP. If you die before separating from service, all amounts in your TSP account will be vested automatically.



INVESTMENTS:

- **Currently:** You can invest (in 5% increments) any portion of your account in the three TSP Investment funds.
- **Government Securities Investment (G) Fund:** The G Fund consists exclusively of investments in short term non-marketable U.S. Treasury securities specially issued to the TSP.
- **Common Stock Index Investment (C) Fund:** The C Fund is invested primarily in the Barclays Equity Index Fund, a commingled stock index fund that tracks the Standard & Poor's 500 (S&P 500) stock index.
- **Fixed Income Index Investment (F) Fund:** The F Fund is invested primarily in the Barclays U.S Debt Index Fund, a commingled bond index fund designed to track as closely as possible the Lehman Brothers Aggregate (LBA) index.
- Rates of return on the Funds are readily available on the TSP Web site: www.tsp.gov.



INTERFUND TRANSFERS:

- Open Season elections or new enrollment elections determine account distributions for future contributions into your account. An interfund transfer is the movement of some or all of your existing account balance among the G, C, and F Funds. If you are a FERS employee, this includes your Agency contributions and their earnings, even if you have never contributed your own money to your account.
- The TSP processes interfund transfer requests monthly, effective as of the end of the month. You must make an interfund transfer by the 15th of the month to be effective at the end of the month.
- Interfund transfers can be done through the Account Access menu choice on the TSP Web site: www.tsp.gov or by calling the ThriftLine (504) 255-8777.
- A confirmation of your request will be sent to you. This confirmation will show you the percentage and dollar distribution of your account balance in each of the funds before and after the transfer.



LOAN PROGRAM

- While you are still employed by the Federal Government, the TSP loan program gives you access to money that you have contributed to your TSP account. You must be in a pay status to obtain a loan, because you repay your TSP loan through payroll deductions
- You can apply for a general purpose loan for a repayment period of 1 to 4 years, or you can apply for a residential loan for the purchase of a primary residence for a repayment period of 1 to 15 years.
- You can have two loans outstanding at any one time (one residential). The minimum loan amount is \$1,000. The maximum loan amount depends on the amount you have contributed.
- The interest rate for the life of the loan is the latest available interest rate on the G Fund at the time your application is received in the TSP Service Office. The interest you pay on the loan will go into your TSP account, along with repayments of the principal.
- Loans approved by the 5th of the month will be dispersed by the 15th of the month. If you are a married FERS participant, the law requires that your spouse consent to your TSP loan. Loans must be repaid through payroll allotments over the payment period specified in your Loan Agreement.
- If correct loan payments are not received in accordance with the repayment schedule and you fail to re-amortize your loan or do not repay your loan within the required time frame, the TSP will declare a taxable distribution in the amount of the unpaid loan balance and any unpaid interest. The distribution will be subject to income tax for the year in which it is declared. You may also be subject to the 10% IRS early withdrawal penalty tax.



PROJECTING YOUR ACCOUNT BALANCE

- The TSP Web site, <http://www.tsp.gov> has a calculation feature. This calculator can help you estimate the growth of your TSP account. You can use either one or both of the following:
 - Calculate the growth of your future contributions and earnings
 - Calculate the growth of the money already in your account
- This calculator can be used for both FERS and CSRS employees. FERS calculations take into account Agency Automatic (1%) Contributions and Agency Matching Contributions; CSRS calculations do not add any Agency contributions.



TSP Calculators

Projecting Account Balance

Growth of Your Future Contributions and Earnings

Your retirement system: (+) FERS (Ì) CSRS

Enter a whole percentage (from 0% to 10% for FERS; from 1% to 5% for CSRS) that you wish to save: 1
from your annual pay of: \$ 57000

Enter the number of years you plan to contribute: 30

Enter (as a whole percent) the annual rate of return you expect your investment to earn: 8%

The result is \$70,918

Growth of Your future contributions and earnings	\$70,918
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Total estimated TSP account balance	\$70,918
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The results above are based on the data you entered, as shown in the following tables. If you want to change any factor, scroll down to the table, backspace or delete that figure completely, and put in your new figure. Then, scroll down and click the RE-CALCULATE button.

TSP Calculators

Projecting Account Balance

Growth of Your Future Contributions and Earnings

Your retirement system: (+) FERS (Ì) CSRS

Enter a whole percentage (from 0% to 10% for FERS; from 1% to 5% for CSRS) that you wish to save: 5
from your annual pay of: \$ 57000

Enter the number of years you plan to contribute: 30

Enter (as a whole percent) the annual rate of return you expect your investment to earn: 8%

The result is \$709,189

Growth of Your future contributions and earnings	\$709,189
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Plus

Growth of your existing account balance	\$0
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Total estimated TSP account balance	\$709,189
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The results above are based on the data you entered, as shown in the following tables. If you want to change any factor, scroll down to the table, backspace or delete that figure completely, and put in your new figure. Then, scroll down and click the RE-CALCULATE button.



TSP Calculators

Projecting Account Balance

Growth of Your Future Contributions and Earnings

Your retirement system: (+) FERS (Ì) CSRS

Enter a whole percentage (from 0% to 10% for FERS; from 1% to 5% for CSRS) that you wish to save: 10
from your annual pay of: \$ 57000

Enter the number of years you plan to contribute: 30

Enter (as a whole percent) the annual rate of return you expect your investment to earn: 8%

The result is \$1,063,783

Growth of Your future contributions and earnings	\$1,063,783
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Plus

Growth of your existing account balance	\$0
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Total estimated TSP account balance	\$1,063,783
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The results above are based on the data you entered, as shown in the following tables. If you want to change any factor, scroll down to the table, backspace or delete that figure completely, and put in your new figure. Then, scroll down and click the RE-CALCULATE button.



MAY 2001 CHANGES

- **Change I:**

Starting this open season, participants will be able to invest in the Small Capitalization Stock Index Investment (S) Fund, and the International Stock Index Investment (I) Fund in addition to the existing C, F, and G Funds.

The S Fund will closely track the Wilshire 4500 Index, which consists of stocks of medium and small U.S. companies.

The I Fund will closely track the EAFE index, which comprises stocks of companies based in Europe, Australia, and the Far East that are large relative to the size of the stock markets of their countries and industries.

Earnings in the S and I funds will be based on market fluctuations and on dividends paid. While the S and I funds are potential vehicles for strong earnings over the long term, they will carry more risk than the C fund.

Once the S and I Funds become available, participants will be able to change the way their payroll contributions are invested in all five funds at any time, instead of only during open season. Interfund transfers for existing account balances will still occur monthly.



Change II:

- Participants may change the investment of future contributions and loan payments made to their accounts at any time by making contribution allocations directly to the TSP. There will be no limit on the number of contribution allocations participants may request, but only one contribution allocation can be made effective on a given business day. This type of fund allocation will be done through the TSP Web site (<http://www.tsp.gov>) account access function or by calling the ThriftLine.
- Participants may also submit a form TSP-50 Investment Allocation directly to the TSP. **Caution: Employees are NOT allowed to use Franked Envelopes to send these forms to the TSP, it must be done at your own expense. Also, the form cannot be copied,** as certain information on the form must be scanned, which would not be picked up from a Xerox copy.
- Until a participant requests a contribution allocation, the TSP will invest contributions and loan payments received after April 30, 2001, as follows:



For Current participants:

- The TSP will use the allocation of the most recent contribution deposited on or before April 30, 2001. If no contributions have been posted to the account during the 45 day period ending April 30, the allocation of an interfund transfer request pending for April 30, 2001, will be used. If there is no pending interfund transfer request, the allocation of the March 31, month end account balance will be used. For FERS employees, if the month-end account balance is zero, the allocation of the Agency Automatic 1% will default to 100% G Fund.



New FERS participants:

- The TSP contributions of a participant whose account is first established after April 30, 2001, will be invested in the G Fund until the participant makes a contribution allocation.



Change III:

- Employee contribution limits for FERS and CSRS employees will increase by 1% each year for 5 years, as follows:

• Year Open Season	FERS limit	CSRS limit
• 2001 May 2001 thru July 2001	11%	6%
• 2002 Nov 2001 thru Jan 2002	12%	7%
• 2003 Nov 2002 thru Jan 2003	13%	8%
• 2004 Nov 2003 thru Jan 2004	14%	9%
• 2005 Nov 2004 thru Jan 2005	15%	10%

- TSP will implement this change during the May 15 through July 31, 2001, open season. During this open season, employees may elect to contribute up to the new limits (11% and 6%). To increase to the new limits, a new allocation must be filed during the appropriate open season.



Change IV:

- Public Law 106-361 allows employees to begin contributing to the TSP immediately upon appointment to a position covered by FERS or CSRS. It **does not** eliminate the waiting period to begin to receive the Agency contributions. FERS employees can begin making Employee Contributions before they are eligible to receive the Agency Automatic 1% Contributions and the Agency Matching Contributions.
- All FERS and CSRS employees appointed before July 1 will have the opportunity to make a contribution election during this open season. Employees appointed on or after July 1, 2001, will have 60 days from the date of their appointment to make an election.



Change VI

- Rollover from previous retirement plans established by your previous employer TSP-60 Rollover form. Date of implementation to be announced.



Change V

- It will be up to employees to review their statements and let the Thrift Board know within 30 days if there are any contribution or interfund transfer errors.



TSP Forms

- **TSP-1** is used to initiate contributions, change contribution amounts, or stop contributing. This form no longer contains allocation options. Distribution of allocations must be done by using the new TSP-50. TSP-1 forms are available for downloading from the TSP Web page and may be duplicated.

New employees who complete the TSP-1 must submit the forms to the Benefits Office/OHR for processing.

Current employees increasing/decreasing/stopping contributions must make these changes through Employee Express.

- **TSP-30** Interfund Transfer Request will no longer be used. It has been replaced by the TSP-50.
- **TSP-50** Investment Allocation is to be used to make initial allocation elections and Interfund Transfers. This form **cannot** be duplicated. The TSP-50 forms are to be mailed directly to the TSP Service Office and **cannot** be mailed in Government/franked envelopes. **YOU MUST PUT A STAMP ON YOUR OWN ENVELOPE AND MAIL IT.** The Service Office will not process TSP 50's sent in Government/franked envelopes.

Processing time for TSP-50:

- Allocation elections are processed within 2 business days.
- Interfund transfers will still be processed on a monthly basis.



REFERENCES AND PHONE NUMBERS:

- TSP Web site <http://www.tsp.gov>
- ThriftLine – (504) 255-8777
- TSP Service Office – (504) 255-6000
- Employee Express Web site
<http://www.employeeexpress.gov>